

Verification Protocol

**for the
Power Source Disclosure and
Customer Credit Program**

Staff Draft

California Energy Commission

December 14, 1999

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Final Draft Protocol for the Power Source Disclosure and Customer Credit
Program
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I. OVERVIEW

Objectives of the California Energy Commission Programs

Power Source Disclosure Program: Public Utilities Code/398.1(b) requires that all retail suppliers of electricity disclose information about the sources of power that support the customers purchases. The California Energy Commission (Energy Commission) is responsible for administering the program and ensuring that consumers are provided with accurate information. The format for disclosure is called a power content label .

As directed by Public Utilities Code/398.1(b), the Power Source Disclosure Program (Disclosure Program) of the Energy Commission requires all retail suppliers of electricity (Retail Suppliers) to provide a power content label for use by their customers and prospective customers. The power content label displays the fuel mix — or power content — of the electricity product (or products) being offered for sale to consumers, where fuel mix refers to the sources of power from which the Retail Supplier purchases power. The Disclosure Program is designed to help consumers easily understand the sources of energy that are used to provide their electric service, and also to enable consumers to compare electricity products from competing companies. Using the power content label, the Retail Supplier must show the fuel mix for the electricity product being offered for sale and, as a comparison, the California Power Mix (a.k.a. net system power).

By law, Retail Suppliers must display a power content label in all product-specific written promotional materials and must send their customers quarterly label updates. Retail Suppliers may identify a resource mix for their product that is identical or different from the California Power Mix. If a resource mix different than the California Power Mix is identified for a given product, the Retail Supplier must validate these claims at the end of the year through an independent verification process — the subject of this protocol. Power purchases that are identified as being different than net system power must be specific purchases, meaning that the purchase must have documentation that is traceable to a specific generating facility. If a specific generating facility cannot be documented, then the Retail Supplier may not claim that source on their power content label.

A Retail Supplier claiming specific purchases discloses a projected fuel mix on their power content label. The label thus changes throughout the year, as the availability of specific power resources becomes known. At the end of the calendar year, the Retail Supplier must prepare for their customers an Annual Power Content Label showing the fuel mix for actual electricity purchases. If actual purchases deviated from projected purchases by more than a certain amount, the Annual Power Content Label must also display the projected fuel mix which varies the most from the actual power mix, and an explanation for the deviation. In addition, the Retail Supplier must prepare and submit to the Energy Commission an Unaudited Annual Retail Supplier Report, which contains information

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needed to verify claims made to consumers. Similarly, power pools that facilitate specific purchases must submit to the Energy Commission an Unaudited Power Pool Report. It is the Retail Supplier and Power Pool who are required to have a verification made of their Unaudited Retail Supplier or Power Pool Report and for which the succeeding protocol was created.

Additional information regarding the Disclosure Program and its reporting requirements can be found in Senate Bill 1305 (SB 1305); Chapter 796, Statutes of 1997 and in regulations published in Title 20 of the California Code of Regulations at Division 2, Chapter 3, Article 5, commencing with Section 1390.

Customer Credit Program: The Energy Commission Customer Credit Program (Credit Program) was established pursuant to Senate Bill 90 (SB 90); Chapter 905, Statutes of 1997, to provide Customer Credits to eligible consumers who purchase qualified renewable energy. Funding for the credits comes from the Energy Commission's Renewable Resource Trust Fund which was created under SB 90 to support existing, new and emerging renewable electricity generation technologies. Additional information regarding this program and its reporting requirements can be found in the Guidebooks for the Renewable Technology Program. Eligible customers receive up to 1.5 cent/kilowatt-hour (kWh) credit on their electricity charges. Eligible customers receive the credit if they purchase qualifying electricity from a **Registered Renewable Provider**. The Energy Commission distributes funds to providers as reimbursement for credits passed on to customers. Registered Renewable Providers submit monthly performance reports to the Energy Commission which function as invoices. The reports provide information on purchases and sales of qualifying energy. Under the program requirements, Registered Renewable Providers are to inform customers that they are receiving credit on the recipient customer's utility bills. Currently the program is limited to customers within the service territories of PG&E, SCE, SDG&E or Bear Valley Electric Service. Registered Renewable Wholesalers will also participate in the program, but do not receive funds.

Registered Renewable Wholesalers must submit information documenting that the power they sell or **broker** is eligible for funding from the Energy Commission. In addition, the Registered Renewable Providers and Registered Renewable Wholesalers are required to submit an annual report to the Energy Commission. The annual report is to be prepared on a calendar year basis to coincide with other reporting requirements in SB 90 and to coincide with reporting under SB 1305.

Additional information regarding the Energy Commission Credit Program and its reporting requirements can be found in Sections 4 and 6 of SB 90 (codified in Public Utilities Code Sections 383.5 and 445) and the Guidebook for Renewable Technology Program — Volume 4 Customer Credit Subaccount.

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Objectives of Assurance Protocol

The primary objectives of this assurance protocol are to clarify the Energy Commission's assurance requirements relating to these programs and to provide guidance to program participants and their independent public accountants or internal auditors on how to satisfy and report on these assurance requirements. Ultimately the reports issued in connection with this protocol are intended to provide the Energy Commission with reasonable assurances that the information reported in connection with these Energy Commission programs is accurate and prepared in accordance with identified program standards. Indirectly, the assurance reports are expected to foster market confidence that consumers are impacting the level of renewable generation when they decide to participate in renewable energy programs.

Scope of Assurance Protocol

The assurance protocol addressed in this document is for the annual reporting requirements of the Disclosure Program under SB 1305 and the Credit Program under SB 90. Because of the Energy Commission's desire to make these reporting requirements as economical as possible for the participating Retail Supplier, Power Pool, Registered Renewable Provider and Registered Renewable Wholesaler, a single protocol has been developed to achieve the objectives of both programs. Each of the required steps outlined below indicates the objectives of the procedure and the related program. Therefore, this guidance is to be used for those entities participating in the Disclosure Program and/or the Credit Program. This guidance should be considered as appropriate acknowledgement from the Energy Commission for purposes of sufficiency for procedures performed when this guidance is followed in its entirety.

The Center for Resource Solutions organization has its own annual examination and reporting requirements for compliance with its Green-e certification program. Some of the procedures outlined in this protocol may satisfy their requirements. The Retail Supplier, Power Pool, Registered Renewable Provider and Registered Renewable Wholesaler should study the Center for Resource Solutions' verification standards to determine what, if any, additional procedures are required by the Center for Resource Solutions for their certification program.

II. GENERAL ASSURANCE PROTOCOL PROVISIONS

Form of Engagement and Report

The participating Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler must engage an independent accountant to perform this assurance engagement and report on agreed-upon procedures in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Auditing Standards, Section 622, *Engagements to Apply Agreed-Upon Procedures to Specified*

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Elements, Accounts, or Items of a Financial Statement. Excerpts of a sample report are included with these instructions in Section VI. Alternatively, the Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler may elect to have their internal audit department (or the internal audit department of an affiliated company) perform the procedures enumerated in Section III, provided that the individual accountant signing the report for the internal audit department is a Certified Internal Auditor. The term accountant hereinafter refers to an independent public accountant or certified internal auditor.

The form of the report should specify the procedures performed and findings in a manner similar to reporting under Section 622 of the AICPA's auditing standards. The accountant should make reasonable efforts to ensure that the report is prepared in accordance with these minimum standards. Deviations should be discussed with the Energy Commission staff prior to report submission to ensure that the scope and reporting will be acceptable. In accordance with paragraph .41 of AICPA AU Section 622, The accountant need not perform procedures beyond the agreed-upon procedures. However, if, in connection with the application of agreed-upon procedures, matters come to the accountants' attention by other means that significantly contradict the basis of accounting for the specified elements, accounts, or items of a financial statement referred to in the accountants' report, the accountant should include this matter in his or her report. For example, if, in connection with the application of agreed-upon procedures, the accountant becomes aware of a potentially material adjustment to that account by means other than performance of the agreed-upon procedures, the accountant should include this matter in his or her report.

The Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler may elect a higher level of assurance with regard to its Energy Commission reporting requirements conducted by an accountant. The Energy Commission welcomes attestation or similar audit-level assurance with regard to the information, forms and assertions described in this protocol. Such alternative reporting should also be discussed with Energy Commission staff prior to submission of the report.

Generation Certificate Program

The Energy Commission is currently in the process of developing a generation certificate program wherein specific purchases of renewable resources could be evidenced by a "Certificate of Specific Generation." The Certificate of Specific Generation, documenting a block of generation and certain attributes of the power (such as the fuel type), would be created by the generator using Energy Commission software. The software simultaneously creates a report to the Energy Commission stating generator total output in kWhs and the allocation of this output among one or more serial numbered certificates. The generator may sell the Certificate of Specific Generation to a wholesale or retail supplier of electricity, who in turn may sell the Certificate of Specific Generation to yet another party. The Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable

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Wholesaler in possession of the Certificate of Specific Generation at the end of the calendar year, may claim the electricity that created the Certificate of Specific Generation, both for purposes of the power content label and possibly for purposes of the customer credit. In this way, the Certificate of Specific Generation represents the right to claim specific purchases and can serve as documentation for the same.

The Energy Commission intends that a Certificate of Specific Generation held in the files of a Retail Supplier, Registered Renewable Provider or Power Pool be considered prima facie evidence of a specific purchase without the necessity to provide other documentation that it was acquired in a wholesale transaction involving electricity. Thus the kWhs of output from a generator participating in the generation certificate program might become separated from the Certificate of Specific Generation that represents the rights to claim this output. So far as claiming rights are concerned, the disposition of the kWhs would not matter. The kWhs and Certificate of Specific Generation might be sold together or separately, but the rights to claim specific purchase would follow the Certificate of Specific Generation only.

If adopted in its currently contemplated form, the Certificates of Specific Generation program will affect the testing to be performed relating to several steps included in this protocol. Sections in this protocol that may be affected are noted with a "*".

Programs Subject to Testing

The programs subject to testing are the Energy Commission's Power Source Disclosure Program under SB 1305 and the Customer Credit Program under SB 90. It is important to note that the Center for Resource Solutions has their own set of reporting requirements for their certification program, which overlap with the reporting requirements under the Disclosure and Credit Programs. Forms required under the Center for Resource Solution's Certification Program may not conform with the reporting requirements outlined in this document and should not be used in place of these specified reporting requirements. However, the Energy Commission will accept a combined report which addresses both the reporting requirements of the Disclosure and Credit Programs as outlined in this protocol and the Center for Resource Solution Certification Program reporting requirements. The Energy Commission does not assume any responsibility as to any information, reporting, monitoring or any other facet of the Center for Resource Solutions program requirements. Should a combined report be prepared, compliance with these Energy Commission and Center for Resource Solutions requirements are the sole responsibility of the participating Retail Supplier, Registered Renewable Provider or Registered Renewable Wholesaler.

Scope Decisions

The management of the Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler will need to make certain decisions regarding the scope of testing. This is due to the guidance involving agreed-upon procedures conducted in

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accordance with the AICPA, AU Section 622, which results in an accountants' report that is in the form of procedures and findings and not in the form of an opinion or negative assurance. Additionally, the specified users of the agreed-upon procedures report are responsible for the sufficiency (nature, timing, and extent) of the agreed-upon procedures, and assume the risk that such procedures might be insufficient for their purpose or that they might misunderstand or inappropriately use findings properly reported by the accountants.

The Energy Commission has attempted to provide an assurance protocol that requires limited decisions necessary from the management of the Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler, or from the accountant; however, in those situations where it is necessary, the assurance protocol clearly indicates when scope decisions are necessary and who should make those decisions.

Period Covered By Reporting Requirements

The agreed-upon procedures reports must be prepared for the Disclosure Program and/the Customer Program on a calendar year basis for years ending on December 31, beginning in 1999. For those companies that began participation in the programs during the year, the reports should be prepared for the period ending December 31.

Submittal of Reports to the Energy Commission

The agreed-upon procedures report must be submitted to the Energy Commission for the Disclosure Program and/or Customer Program no later than May 31, beginning in 2000 and each year thereafter.

Other Required Information

The reports and information described below in this subsection represent additional required information to be provided by the Disclosure and/or Credit Program participant to the Energy Commission and should accompany the agreed-upon procedures report.

1. *Program Specific Information*

For participants of the Power Source Disclosure Program, the Retail Supplier is to provide copies of all four quarterly and all promotional power content labels pertaining to the calendar year and a copy of the annual power content label used for each electricity product. Power Pools undergoing the Disclosure Program verification process need not provide this documentation.

For verification of claims pursuant to the Customer Credit Program, the Registered Renewable Provider or Registered Renewable Wholesaler should provide a copy of the Customer Credit Report.

2. *Management Assertions*

Management of the Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler is to provide a letter that is to accompany the

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agreed-upon procedures report to the Energy Commission that states their representation that the Unaudited Annual Retail Supplier Report and/or Customer Credit Report to the Energy Commission or the Unaudited Annual Power Pool Report is complete and accurate. This assertion will encompass the completeness and accuracy of the information provided to the accountant in performing the agreed-upon procedures and the affidavits received from the wholesalers, and the representation that the sales reported under the program were properly represented (i.e. power sold once and only once for non-resale transactions). A sample letter has been included in Section VI C.

3. *Other Accompanying Information*

The Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler is to prepare a flow chart (diagram) showing the relationship of flow of the various reports provided by the Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler and used by the accountant to perform the procedures in Section III. A sample flow chart has been included in Section VI B.

Use of Sampling Techniques

The accountant may use sampling techniques to test the attributes of the Retail Supplier s, Power Pool s, Registered Renewable Provider s or Registered Renewable Wholesaler s data. Because audit sampling is the application of a procedure to less than 100% of the population, certain sampling criteria have been established by the Energy Commission to be followed in the performance of the agreed-upon procedures. Additionally, the Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler and the accountant will need to make certain decisions and judgements in the process of establishing the appropriate sample size, following the guidance as set forth in the AICPA AU Section 350, *Audit Sampling*. If the accountant chooses not to use sampling techniques, then testing of 100% of the population must be performed.

When sampling is used, the sample size is to be determined using a confidence level of 95% and a tolerable deviation of 5%. The Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler and accountant will need to make an assessment of the program participant s control environment (that is, the control environment of the Retail Supplier, Power Pool, Registered Renewable Provider or the Registered Renewable Wholesaler) in determining the expected error rate. Additionally, the Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler will need to ascertain the population size (estimates are acceptable). Once these parameters have been determined, the accountant should determine the sample size to be tested by utilizing a statistical sampling program. All parameters used and the sample size are to be described in the report. The sample selection should be made on a random basis with random number generator or similar process as the preferred approach. The Energy Commission will allow other sample selection methods (e.g., systematic) provided

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the resultant selection is ultimately random in nature (e.g., each member of the population has an equal chance of being selected). In any event, no more than 50% of the selected transactions may relate to any one month unless more than 50% of the population relates to the same month (in which case this should be disclosed in the report).

Tests of Attributes

When performing the procedures described in this protocol, it is important that the accountant understand the objectives and nature of the tests to be performed. Each of the procedures addressed in Section III is designed to test specific attributes, and the objectives of the procedures are noted at the beginning of each testing section.

Principal Testing to be Performed

The principal testing to be performed will be reading, vouching, comparing and recalculating information provided to the accountant by the Retail Supplier, Power Pool Registered Renewable Provider or Registered Renewable Wholesaler. See Section III for specific tests to be performed.

III. SPECIFIC ASSURANCE REQUIREMENTS

This section provides guidance and specific examples of the procedures to be performed in connection with providing the Energy Commission with assurances as to the accuracy and completeness of identified Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler reports to the Energy Commission. The nature and complexity of supply and sale transactions differ among participating Retail Suppliers, Power Pool, Registered Renewable Provider or Registered Renewable Wholesalers. Additionally, accounting systems and transaction data structures of each Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler will vary along with the types of information and reports internally available. Accordingly, the following requirements enumerated in this section are not intended to be all inclusive, but rather represent the minimum standards to be applied in performing tests of the documentation trail associated with the information filed with the Energy Commission by the Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler. Judgment will need to be applied in order to execute the agreed-upon procedures engagement under each specific circumstance.

Report Titles

The procedures outlined below have references to examples of the types of reports that would normally be necessary for the accountant to use in performing the agreed-upon procedures. These report titles (bold faced the first time they are used) are included as examples of the nature of the report and information that should be subject to the identified testing. Almost certainly, the titles of the reports actually used by the individual Retail

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Suppliers, Power Pools, Registered Renewable Providers and Registered Renewable Wholesalers will differ from those used in this protocol. Moreover many report titles used in this protocol include the term annual, inferring that the information is annual in scope. In reality intermediary reports (e.g., monthly) may need to be used to perform the agreed-upon procedures. The accountant should clearly indicate in the agreed-upon procedures report the name of each internal report generated by the Retail Supplier, Power Pool, Registered Renewable Provider or Registered Renewable Wholesaler and used in the performance of these agreed-upon procedures.

The agreed-upon procedures report should clearly indicate the name of each of the Retail Supplier s, Power Pool s, Registered Renewable Provider s or Registered Renewable Wholesaler s reports and documents used during the performance of the agreed-upon procedures described below. The accountant should provide a description in the agreed-upon procedures report of additional information, internal or external reports, and internal or external documentation used to perform the tests.

A. *SUPPLY

Requirements Applicable for the Retail Suppliers, Power Pools and Registered Renewable Provider Participating in the Disclosure Program and the Credit Programs

The objectives of performing these procedures are to provide assurances relating to the following:

- Fuel mix of electricity claimed on the power content label is accurately categorized for the Disclosure Program;
- Electricity for which the customer credit was paid out was in fact eligible to receive funding through the Credit Program; and
- Electricity claimed by a given Retail Supplier, Power Pool and/or Registered Renewable Provider under the Disclosure or Credit Programs has not been resold, other than as generic. This is to ensure that the fuel type attribute or the eligibility for cost credits is not claimed by more than one party.

Verification of Purchases

1. Obtain a report from the Retail Supplier, Power Pool and/or Registered Renewable Provider that contains the detail of the annual **specific purchases** and **generic purchases** (kWh purchased by day, generating facility), **Electricity Supply Report** (See description of Report Titles in Section VI D), which was

* Testing in this entire section will require modifications if the Energy Commission s proposed Certificates of Specific Generation program is implemented.

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used by the Retail Supplier and/or Registered Renewable Provider to complete Schedule 1 of the Unaudited Annual Retail Supplier Report and/or boxes eight and nine of the Monthly Performance Reports (MPRs). Note that a report showing kWh purchases by month that was used by the Retail Supplier and/or Registered Renewable Provider to prepare Schedule 1 of the Unaudited Annual Retail Supplier Report on the Monthly Performance Reports may be used, as long as it facilitates testing as required in Step A 1 c below.

- a. Test the mathematical accuracy of the Electricity Supply Report . Note any exceptions.
- b. Recalculate the kWh by generating facility and fuel type on the Electricity Supply Report and:
 - i. For Retail Suppliers or Power Pools participating in the Disclosure Program, agree the purchases by generating facility name/ID# and the gross kWhs purchased by fuel type to the Schedule 1 of the Energy Commission Unaudited Annual Retail Supplier Report. (If a Retail Supplier purchases from a power pool that does not provide unique generating facility information to their customers, then the name of the power pool should be used in place of the generating facility on Schedule 1). Note any exceptions.
 - ii. For Registered Renewable Providers participating in the Credit Program, agree the purchases by Retail Supplier, Power Pool or Registered Renewable Wholesalers by Energy Commission Registration number and kWhs obtained to the reported totals (the total energy and renewable energy purchased or generated) which is calculated by summing all of the twelve months of boxes eight and nine MPR s submitted for the year. (Note that the registered products may be bundled on the MPRs). (If a Retail Supplier purchases from a Power Pool that does not provide unique generating facility information to their customers, then the name of the Power Pool should be used in place of the generating facility on Schedule 1). Note any exceptions.
- c. Select a sample of purchases from the Electricity Supply Report (or a report at a more detailed level) for testing using the Sampling Guidelines in Section II and perform the following for each selected item:
 - i. For all purchases whether generic or specific, compare each selected item to a copy of the contract, billing invoice from the generator/wholesaler, or other record (specify in the accountants report what other record was used) that contains information regarding kWhs purchased, date of

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generation, and the unique generating facility ID number. While various source data may be examined, ultimately this testing should include agreeing information to the billing invoice. Note any exceptions. (If a Retail Supplier purchases from a Power Pool that does not provide unique generating facility information to their customers, then the name of the Power Pool should be used in place of the generating facility on Schedule 1). If the selected purchase was reported as only a generic purchase, there should be no indication of facility name or fuel type.

- ii. If the electricity purchased is being claimed as an eligible renewable resource under the Credit Program, compare the generator ID# to an Energy Commission report of Eligible Renewable Supplier or Registered Renewable Wholesalers. This report can be found on the Energy Commission website under the Renewable Energy section — Information for Electric Service Providers (www.energy.ca.gov). (For Power Pools participating in the Credit Program, this step does not need to be performed). Note any exceptions.
 - iii. If the selected purchase is being claimed as a specific purchase and steps i and ii did not produce information about fuel type, compare the generator's name or ID# to a generator listing which can be obtained from the Energy Commission (available upon request) to determine fuel type. Note any exceptions.
 - iv. If the supply is self-generated, compare the amount of kWhs to documentation of meter readings made by the Retail Supplier or other third-party (including the California ISO, scheduling coordinators, or meter data management agents), located at the generator and agree the generator name or ID# to a generator listing as noted in b.) above. Note any exceptions. If comparing the information to documentation of meter readings made by the Retail Supplier and/or Registered Renewable Provider or other third-party, obtain from the Retail Supplier and/or Registered Renewable Provider a copy of the most recent meter certification and report the date of the certification in the accountants report.
- d. For Retail Suppliers or Power Pools participating in the Disclosure Program, test the mathematical accuracy of Schedule 1 of the Energy Commission Unaudited Annual Retail Supplier Report. Note any exceptions.
 - e. For Registered Renewable Providers participating in the Credit Program, calculate the total of purchases reported in boxes eight and nine of the MPRs for the annual reporting period and compare this amount of eligible renewable

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energy purchased to the summation of purchases reported on the Electricity Supply Report . Note any exceptions.

Verification of Resales

2. For Retail Suppliers, Power Pools and Registered Renewable Providers that resell energy to other providers or internally consume electricity and are participating in the Disclosure Program or Credit Program, obtain a report from the Retail Supplier, Power Pool or Registered Renewable Providers that contains the detail of specific and generic energy resold at wholesale or otherwise consumed, **Annual Wholesale Sales Report** (See description of Report Titles in Section VI D), which was used to complete Schedule 1 of the Energy Commission Unaudited Annual Retail Supplier or Unaudited Power Pool Report for participants of the Disclosure Program or that was used to derive net purchases for completion of boxes eight and nine of MPRs for the Credit Program.
 - a. Test the mathematical accuracy of the Annual Wholesale Sales Report . Note any exceptions.
 - b. For Retail Suppliers or Power Pools participating in the Disclosure Program, recalculate the kWhs resold or consumed by fuel type per the Annual Wholesale Sales Report and compare this to the kWhs of fuel resold or consumed by fuel type listing on Schedule 1 of the Energy Commission Unaudited Annual Retail Supplier or Unaudited Power Pool Report. Note any exceptions.
 - c. For participants of the Credit Program, recalculate the kWh s resold or consumed by generator per the Annual Wholesale Sales Report and subtract these total amounts by fuel type from the purchases by generator per report Electricity Supply Report used in Step III A 1 above to arrive at the net purchase by generator and compare this to amounts reported in boxes eight and nine of the MPRs. Note any exceptions.
 - d. * For participants of the Disclosure and/or Credit Program, select a sample of transactions of resales at wholesale or consumed electricity from the Annual Wholesale Sales Report for testing using the Sampling Guidelines in Section II and perform the following for each selected item:
 - i. Compare each selected item per the Annual Wholesale Sales Report to a copy of the contract, billing invoice, or other record (specify in the accountants report what other record was used) that contains information regarding kWhs sold at wholesale, date of generation, the unique generating facility ID number. While various source data may be

* Testing in this section could be modified if the Energy Commission s draft proposal for Certificates of Specific Generation is adopted.

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examined, ultimately this testing should include agreeing information to the billing invoice. Note any exceptions.

- ii. If the fuel type is being claimed as an eligible renewable resource under the Credit Program, compare the generator ID# to an Energy Commission report of Eligible Renewable Suppliers and/or Registered Renewable Wholesalers. This report can be found on the Energy Commission website under the Renewable Energy section — Information for Electric Service Providers (www.energy.ca.gov). Note any exceptions.
 - a. Note that if the accountant is able to trace the selected items back to the report(s) tested under Section III A 1, and there were no exceptions noted during that testing, the accountant should state this in the report and need not compare generator ID # to an Energy Commission report.
- iii. If the contract or billing invoice does not document the fuel type, compare the generator's name or ID# to a generator listing which can be obtained from the Energy Commission (available upon request), to determine fuel type). Note any exceptions.
- iv. If the energy is consumed per the Annual Wholesale Sales Report, compare the kWh from the report to documentation of meter readings performed by the Retail Supplier and/or Registered Renewable Provider or other third-party, located at the generator and agree the generator name or ID# to a generator listing as noted in ii.) above. Note any exceptions. If tracing the information to meter readings at the generator, obtain a copy from the Retail Supplier or Registered Renewable Provider of the most recent meter certification and report the date of the certification in the agreed-upon procedures report.

B. DEMAND

Requirements Applicable Only for Those Retail Suppliers Participating in the Disclosure Program

The objectives of performing these procedures relating to demand are to provide assurances relating to the following:

- The projected/actual annual power content label is mathematically accurate; and
 - The quarterly power content label disclosure contains accurate comparisons of actual and projected power purchases.
1. Obtain a report from the Retail Supplier that contains the detail of monthly retail sales for each product sold by fuel type, **Retail Sales by Month Report** (see

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description of Report Titles in Section VI D) and was used to complete Schedule 2 of the Energy Commission Unaudited Annual Retail Supplier Report.

- a. Test the mathematical accuracy of Retail Sales by Month Report . Note any exceptions.
- b. Calculate the sales by kWh of fuel type and by product on Retail Sales by Month Report for all months and compare these amounts to the kWhs of retail fuel sales by fuel type and by product to the Schedule 2 of the Energy Commission Unaudited Annual Retail Supplier Report. Note any exceptions.
- c. Select a sample of customer sales transactions detailed on Retail Sales by Month Report for testing using the Sampling Guidelines in Section II. Compare for selected item the kWh of fuel type and product per Retail Sales by Month Report to a copy of the billing statement or other record that contains information by customer of kWh retail sales by product (specify in the report any other record used). Note any exceptions.
- d. Test the mathematical accuracy of Schedule 2 of the Energy Commission Unaudited Annual Retail Supplier Report. Note any exceptions.
- e. Using Schedule 2 of the Unaudited Annual Retail Supplier Report for each product, calculate the percentages of fuel mix by fuel type using the following calculation:

$$w1(x) + w2(y)$$

w1 = Percentage of electricity in this electrical product that the retailer expects to provide through specific purchases

x = Percentage contribution for a given fuel category or sub-category to total specific purchases for that product

w2 = Percentage of electricity in the electricity product the Retail Supplier expects to provide through sources other than specific purchases

y = Percentage contribution for the fuel category or sub-category to the net system power fuel mix. (Note that generic purchases should be added to derive the percentage category of fuel types by taking the net system power and adding the categories.)

- f. For each electricity product being tested, obtain from the Retail Supplier a copy of the annual power content label for the previous calendar year (but disclosed to their customers during the current calendar year). Compare the percentages calculated in Step III B 1 e above (rounded to the nearest whole percent) with the percentages printed under the column labeled Actual Power Mix of the annual power content label. Note any differences that are greater than 1% (as rounded).

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2. For each electricity product being tested, obtain from the Retail Supplier a copy of all four quarterly power content labels and any other power content labels from the year that were used in promotional documents or websites. If the absolute value of the difference of each fuel type percentage between the actual column of the annual power content label and any of the projected disclosures is greater than five percentage (5%) points, then the retail supplier should have displayed a Projected Power Mix column on their annual power content label and a footnote explaining the reason for the discrepancy. This projected column should display the same percentages by fuel type for the projected disclosures that had the greatest variance (in absolute value) from the Actual Power Mix column of the annual power content label. The accountant should compare the percentages by fuel type disclosed in the projected disclosures with the percentages by fuel type calculated in Step III B 1 e above and determine the absolute value of the differences by fuel type. If this absolute value for any fuel type for any projected disclosures is greater than five percentage (5%) points, examine the percentages by fuel type in the Projected Power Mix column of the Annual Power Content Label to determine that the projected disclosures that varied the most in absolute value was displayed. If the variance of greater than five percentage points exists, but there is no column printed for Projected Power Mix or no footnote explanation, include this as a finding on the agreed-upon procedures report.

Requirements Applicable for Those Registered Renewable Providers Participating in the Credit Program

The objectives of these steps are to provide assurance relating to the following matters:

- Customer eligibility requirements;
 - Funding cap thresholds, where applicable;
 - Communication to the customer of the credit by the Registered Renewable Providers; and
 - Customer classification based on the rate schedule.
3. Obtain a report from the Registered Renewable Providers that lists all customers that received the credit by registered product, **Credit Program Customers Report**, (see description of Report Titles in Section VI D) under the Credit Program during the year. Note that this report should include the customer ID number, total credits paid per customer by registered product (if available), and identification of customer class. Obtain the rate schedule used by the Registered Renewable Providers to determine customer's classification.
 - a. Test the mathematical accuracy of Credit Program Customers Report. Note any exceptions.

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- b. Compare the total funding/credits paid to customers, by category (i.e., end-use, residential, small commercial and all other eligible customers) per Credit Program Customers Report to the cumulative total of the amounts claimed on the MPRs boxes four through seven during the year. Note any exceptions.
- c. Compare the total kWh sold to eligible customers, by category, per Credit Program Customers Report to the cumulative total of the amounts claimed on the MPRs boxes four through seven during the year. Note any exceptions.
- d. Compare the number of customers per Credit Program Customers Report to the number of customers reported in the December MPRs, boxes four through seven. Note any exceptions.
- e. Examine Credit Program Customers Report for total distributions for the year, by customer, and determine that distributions per customer did not exceed \$1,000, for those customers who do not qualify as residential or small commercial. Note any exceptions.
- f. Compare the total funding/credits (in dollars) paid out to customers per Credit Program Customers Report to the total funding/credits (in dollars) received for the calendar year to supporting documentation provided to the Retail Supplier from the Energy Commission. Note any differences.
- g. Select a sample of customer sales transactions detailed on Credit Program Customers Report for testing using the Sampling Guidelines in Section II above and test each selected item as follows:
 - i. For the selected item, determine if the classification category per Credit Program Customers Report is consistent with the rate schedule used by the Retail Supplier (See Guidebook 4, Table 3 through Table 5 for identification of customer classes and rate schedules). Note any exceptions.
 - ii. Obtain the selected customer's invoice from the Retail Supplier and examine the invoice to determine if there were any energy charges from another Registered Renewable Provider. Note as an exception any energy charges from another provider. This procedure is to provide verification of a direct access contract with the end-user.
 - iii. Examine the billing invoices for the customer sales transactions selected above and determine if the billing invoice indicates that the customer is receiving the credit level applicable for the period selected from the Renewable Resource Trust. Note as an exception if the billing invoice doesn't disclose to the consumer that they are receiving this funding/credit.

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- a.) In a year where the funding/credit rate has changed, select one invoice in the last month using the old funding/credit rate and one invoice for the first month with the new funding/credit rate and determine that the proper funding/credit rate for the period is disclosed.
- iv. Compare the product the customer is being billed for to the product being claimed for on box one of the MPR.

C. REGISTRATION

Requirements Applicable for Those Registered Renewable Providers and Registered Renewable Wholesalers Participating in the Credit Program

The objective of this step is to provide assurance that the Registered Renewable Provider or Registered Renewable Wholesaler is appropriately registered with the CEC.

1. Obtain from the Registered Renewable Provider or Registered Renewable Wholesaler the signed certificate, for each product that they are registered for from the Energy Commission that states that the Registered Renewable Provider or the Registered Renewable Wholesaler is a Registered Renewable Provider or Registered Renewable Wholesaler. For more information regarding registration, see qualifications for becoming a registered provider or wholesaler in the California Energy Commission Renewable Technology Program Guidebook Volume 4 — Customer Credit Subaccount. Read the certificate(s) and report the existence of each certificate obtained, along with a description of the product it covers in the accountants report.

D. WHOLESALERS

Requirements Applicable for Those Eligible Registered Renewable Wholesalers Participating in the Credit Program

The objective of this section is to obtain documentation that supports the representation that the energy bought and sold (or brokered) has been claimed once and only once for the Customer Credit.

1. Examine affidavits from the Registered Renewable Providers that the energy that was bought and sold or brokered was only claimed as sold to one provider.

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2. Obtain a report that contains the detail of total eligible renewable energy (kWh), total renewable energy and total energy bought or sold or brokered during the year, **Total Eligible Renewable, Renewable and Energy Bought, Sold or Brokered Report** (see description of Report Titles in Section VI D). Obtain year-to-date report and monthly reports.
 - a. * Test the mathematical accuracy of Total Eligible Renewable, Renewable and Energy Bought, Sold or Brokered Report. Note any exceptions.
 - b. Select a sample of sales to eligible Registered Renewable Providers for all energy using the Sampling Guidelines in Section II. and perform the following:
 - i. Obtain the supporting documentation (i.e., bills, contracts) for all energy sold or brokered to each Registered Renewable Provider selected in the sample.
 - ii. Compare the generator information to the Energy Commission listing of eligible generators under the program. Note any exceptions.
 - iii. Compare the generation acquired to the amount sold to the Registered Renewable Provider through review of sales information (i.e., invoices, contracts, etc.) to the Registered Renewable Provider. Note that the generation should not exceed the amount reported as being sold. Note any exceptions.
 - c. Select a sample of sales to eligible Registered Renewable Providers of *eligible renewable energy* (using the sampling guidelines in Section II.) and perform the following:
 - i. Obtain the supporting documentation (i.e., bills, contracts) for all eligible renewable energy sold or brokered to each Registered Renewable Provider selected in the sample.
 - ii. Compare the generator information to the Energy Commission listing of eligible generators under the program. Note any exceptions.
 - iii. Compare the generation acquired to the amount sold to the Registered Renewable Provider through review of sales information (i.e. invoices, contracts, etc.) to the Registered Renewable Provider. Note that the generation should not exceed the amount reported as being sold. Note any exceptions.

* Testing in this section could be modified if the Energy Commission's draft proposal for Certificates of Specific Generation is adopted.

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- d. Select a sample of sales to eligible Registered Renewable Providers of *renewable energy* using the Sampling Guidelines in Section II and perform the following:
 - i. Obtain the supporting documentation (i.e., bills, contracts) for all renewable energy sold or brokered to each Registered Renewable Provider selected in the sample.
 - ii. Compare the generator information to the Energy Commission listing of eligible generators under the program. Note any exceptions.
 - iii. Compare the generation acquired to the amount sold to the Retail Supplier through review of sales information (i.e., invoices, contracts, etc.) to the Registered Renewable Provider. Note that the generation should not exceed the amount reported as being sold. Note any exceptions.

These samples overlap. Accordingly, the accountant may wish to draw a normal sample for step b. and add incremental selections for steps c. and d. to facilitate testing of the attributes identified in those steps.

IV. ACCOUNTANT S QUALIFICATIONS

The accountant shall be a member in good standing with the American Institute of Certified Public Accountants or a member in good standing and certified as an Internal Auditor with the Institute of Certified Internal Auditors.

V. HOW TO GET HELP - ENERGY COMMISSION RESOURCES

Should assistance be required, Energy Commission staff members are available to answer questions. Questions relating to the verification of purchases for purposes of the power source disclosure program should be directed to: Cheri Davis at (916) 657-4394 or cdavis@energy.state.ca.us. Questions relating to the verification of purchases for purposes of the customer credit program should be directed to: Heather Raitt at (916) 654-4735 or hraitt@energy.state.ca.us.

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VI. SAMPLE REPORTS AND OTHER PRACTICE AIDS

A. SAMPLE REPORT EXCERPTS

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors of
XYZ Energy Incorporated
and the California Energy Commission

We have performed the procedures enumerated below, which were agreed to by XYZ Energy Incorporated, solely to assist you with respect to complying with annual reporting requirements of the California Energy Commission's Power Source Disclosure and Customer Credit Programs. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

[The accountant would include paragraphs to enumerate procedures performed, reports used and findings.] SEE THE FOLLOWING AS AN EXAMPLE:

We obtained a report from XYZ Energy Incorporated that contained the detail of specific and generic purchases (kWh purchased by day, generating facility), Daily Specific and Generic Purchases Report, and is attached hereto as Exhibit 1 (*the report is not included in this sample, but is only for reference*). We performed the following procedures:

- a. Tested the mathematical accuracy of Daily Specific and Generic Purchases Report. No exceptions were noted.
- b. Recalculated the kWh by generating facility and fuel type on the Daily Specific and Generic Purchases Report without exception and:
 - i. Agreed the purchases by generating facility name/ID # and the gross kWh purchased generating facility name/ID # and the gross kWh by fuel type to the Schedule 1 of the Energy Commission Unaudited Annual Retail Supplier Report for XYZ Energy Incorporated. No exceptions were noted.

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- ii. Agreed the purchases per Eligible Renewable Provider by Energy Commission Registration number and kWh obtained to the reported totals (the total energy and renewable energy (kWh) purchased) for the year on the final filed boxes eight and nine of the MPRs for XYZ Energy Incorporated. We noted the amounts to be in agreement except that the twelve months cumulative box eight of the MPRs is 238,200,000 kWh, while the amount per the Daily Specific and Generic Purchases Report is shown as 337,100,000 .

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

[date and signature]

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B. SAMPLE MANAGEMENT ASSERTION

[Company Letterhead]

[Date]

This Management Assertion is submitted by XYZ Energy; to The State of California, Energy Commission, pursuant to the requirements of the Power Source Disclosure and Customer Credit Programs annual reporting for the year ended December 31, 1999.

To the best of my knowledge, after a review of the enclosed information I certify the following to be complete and correct.

1. The Unaudited Annual Retail Supplier or Power Pool Report.
2. Information provided to the accountant during their performance of the accompanying agreed-upon procedures
3. Affidavits received from sellers.
4. Types of purchases and and sales reported were properly represented.

Authorized Representative (should be an officer)

Signature: _____

Print Name: _____

Title: _____

**C. INFORMATION NEEDED BY THE ACCOUNTANT FOR THE
PERFORMANCE OF PROCEDURES**

The following information is a generic list and should be tailored to each particular engagement as reports and information will vary:

1. Certificate from the Energy Commission that states that the Retail Supplier is a Registered Renewable Provider of each product for which customer credits are claimed.

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2. Certificate from the Energy Commission that states that the wholesaler is a Registered Renewable Wholesaler of each product for which customer credits are claimed.
3. Billing invoices to customers.
4. Rate schedules.
5. MPRs and amended MPRs filed for the applicable year.
6. Unaudited Annual Retail Supplier Report under the Power Source Disclosure Program and all four quarterly power content labels used in promotional documents of websites.
7. Customer credit calculations for selected customers.
8. Contract, billing statement, or other third party documentation that contains information of kWh purchased and information regarding the Eligible Renewable Supplier or Registered Renewable Wholesalers for the selected purchases.
9. Meter reading documentation for self-generated power or third party documentation (i.e., scheduling coordinator) supporting the generation amounts.
10. Facility generation reports from the Energy Commission for each facility from which the selected purchases were made.
11. Affidavits from each wholesaler, which states the type of kWh purchased, the generator ID # and the fuel type.
12. **Electricity Supply Report** -- A report that contains the detail of annual specific and generic purchases (kWh purchased by day, generating facility) used by the Supplier to complete Schedule 2 of the Annual Retail Supplier Report and boxes eight and nine of the MPRs year-to-date report and monthly reports. Note that this report can have the detail of annual specific and generic purchase by month versus day, if the supporting documentation of the purchases (e.g. the contract or billing invoice) are evidenced in kWh by month.
13. **Annual Wholesale Sales Report** -- A report from the Retail Supplier that contains all resales of power. (Note that this is not applicable to those providers that do not function as a wholesaler.)

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14. **Retail Sales by Month Report** -- A report from the Retail Supplier that contains the detail of monthly retail sales for each product sold by fuel type used to complete Schedule 3 of the Energy Commission's Annual Retail Supplier Report.
15. **Credit Program Customers Report** -- A report that lists all customers that received the credit during the year from the Retail Supplier. Note that this report should denote the customer ID #, total funds paid per customer, ID of customer class and total customers in each customer class.
16. **Total Eligible Renewable, Renewable and Energy Bought, Sold or Brokered Report** -- A report that provides total eligible renewable energy (kWh), total renewable and total energy bought or sold or brokered in the past year. Obtain year-to-date report and monthly report (wholesalers only).

D. GLOSSARY OF TERMS

broker -- an entity arranging the sale and purchase of electric energy, transmission, and other services between buyers and sellers, but does not take title to any of the power sold (Public Resources Code section 331(b)).

California System Power Mix -- estimate prepared annually by the Energy Commission of the electricity sold to California Consumers.

California ISO -- California Independent System Operator, which operates the California Grid.

customer -- for the purposes of the Customer Credit Subaccount, the end-use meter number identifies individual customers. For example, residents who have unique meter numbers at an apartment building would be counted as unique customers. Also, a small commercial business with facilities at several locations would be counted as a separate customer for each meter. Any individual meter is considered a customer regardless of whether multiple meters are at the same street address and regardless of if that address is a business, governmental facility, or residential facility. Note, some customers may be subject to the funding caps. Whether or not an individual customer is subject to the funding caps is dependent upon the rate schedule assigned to that meter. Tables 3-5 and the instructions in the Guidebook 4 identify which rate schedules are subject to the funding caps.

customer credit -- the credit a provider shows on customer bills and seeks reimbursement from the Customer Credit Subaccount.

generator -- the company that physically generates the electricity.

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generic purchases -- power purchased from the California Power Exchange; any purchase other than a specific purchase (see definition below).

investor-owned utility (IOU) -- a utility organized as a tax-paying business, whose properties are managed by representatives elected by shareholders.

kilowatt hour (kWh) -- the most commonly-used unit of measure telling the amount of electricity consumed over time. It means one kilowatt of electricity supplied for one hour. A typical California household consumes about 500 kWh in an average month.

MWh -- one thousand kilowatt hours.

Power Pool -- a renewable power pool is an entity into which many generators may offer to sell their power and out of which many retail suppliers or brokers may offer to purchase power, such that the buyer and seller need have no knowledge of each others identity because the buyer is buying pooled power and not power from a specific generator, such that at least some portion of the power sold into the pool is eligible renewable as defined in P.U.C. section 398.4(h)(1)(F) and also such that the amount of power sold into the pool equals the amount of power purchased from the pool over the calendar year.

provider -- an entity that is either a supplier, marketer, or aggregator, or some combination, that provides electricity to end-use customers.

Registered Renewable Provider -- a provider that has self-registered with the Energy Commission.

renewable resources -- biomass, wind, solar thermal, photovoltaic, geothermal, and small scale hydroelectric (30MW or less only) resources used to generate electricity.

Retail Supplier -- any company that sells power to an end-use customer, including electrical corporations, municipal utilities, electric cooperatives, and electric services providers (ESPs) and is a participant in the Energy Commission's Power Source Disclosure Program.

Service Provider -- a retail or wholesale provider of energy services.

specific purchases -- an electricity transaction which is 1) traceable to a specific generating facility via a contract trail or equivalent verification and, 2) has been attested to being sold once and only once. Specific purchases may also include power purchased from renewable power pools, such as the Automated Power Exchange, provided that supporting documentation is provided defining the fuel mix for the period

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for which the Retail Supplier purchased the power. Specific purchases would be identified by generating facility name, the unique generator ID number, and fuel type.

supplier -- a facility that generates electricity or is an intermediary party that makes a transaction between a generator and a provider or wholesaler.

wholesaler -- an entity which buys and sells electricity to providers, or one who acts as a broker in negotiating sales of power to providers.

APPENDIX

Sample Annual Retail Supplier Report

Unaudited Annual Retail Supplier Report

For the year ended December 31, 1999

SCHEDULE 1: POWER PURCHASES AND RESALES

SPECIAL INSTRUCTIONS: Enter information about the generating facilities from which your company purchased power (note: these are "specific purchases") used to support ALL electricity products. Note: if the power was purchased from a power pool that will be filing an Annual Pool Report with the Energy Commission, identify the name of the pool under "Facility Name."

Company Name

SPECIFIC PURCHASES							
FACILITY NAME	FUEL TYPE	EIA ID Number ¹	CEC ID Number ²	Other ID Number ³	GROSS MWH PURCHASED	MWH RESOLD	NET MWH PURCHASED

GENERIC PURCHASES		
GROSS MWH PURCHASED	MWH RESOLD	NET MWH PURCHASED

¹ Please enter the Energy Information Administration identification number for the generating facility, if known.
² Please enter the Energy Commission Renewable Technology Program Registration number for the generating facility, if applicable.
³ If the facility has no EIA or CEC registration number, please give a unique identifier for this facility.

Unaudited Annual Retail Supplier Report For the year ended December 31, 1999

SCHEDULE 2: RETAIL SALES

Company Name

PRODUCT NAMES

Product 1		Product 3	
Product 2		Product 4	

RETAIL SALES BY FUEL TYPE (MWH)

	Product 1	Product 2	Product 3	Product 4	TOTALS ¹
Specific Purchases					
Biomass & Waste					
Geothermal					
Small Hydro					
Solar					
Wind					
Coal					
Large Hydro					
Natural Gas					
Nuclear					
Other: _____					
Total Specific Purchase Power Sold					
Generic Purchase Power Sold					
Total Retail Sales					

¹ Total retail sales should match with "Net MWhs Purchased" from Schedule 1. If for some reason they do not, please provide an explanation in an attachment to your filing.

Unaudited Annual Retail Supplier Report For the year ended December 31, 1999

ATTESTATION

Company Name _____

PRODUCT NAMES

I, (print name and title) _____, declare under penalty of perjury, that the statements contained in Schedules 1 and 2 for the products listed above are true and correct and that I, as an authorized agent of the above noted company, have authority to submit this report on the company's behalf. I further declare that the kilowatt-hours claimed as specific purchases (as shown in Schedules 1 and 2) were, to the best of my knowledge, sold once and only once to retail consumers.

Signed: _____ Dated: _____

Executed at: _____

CONTACT INFORMATION

Name	
Title	
Address	
City, State, Zip	
Phone	
Fax	
E-mail	